

# Husqvarna



**Q1 2010**

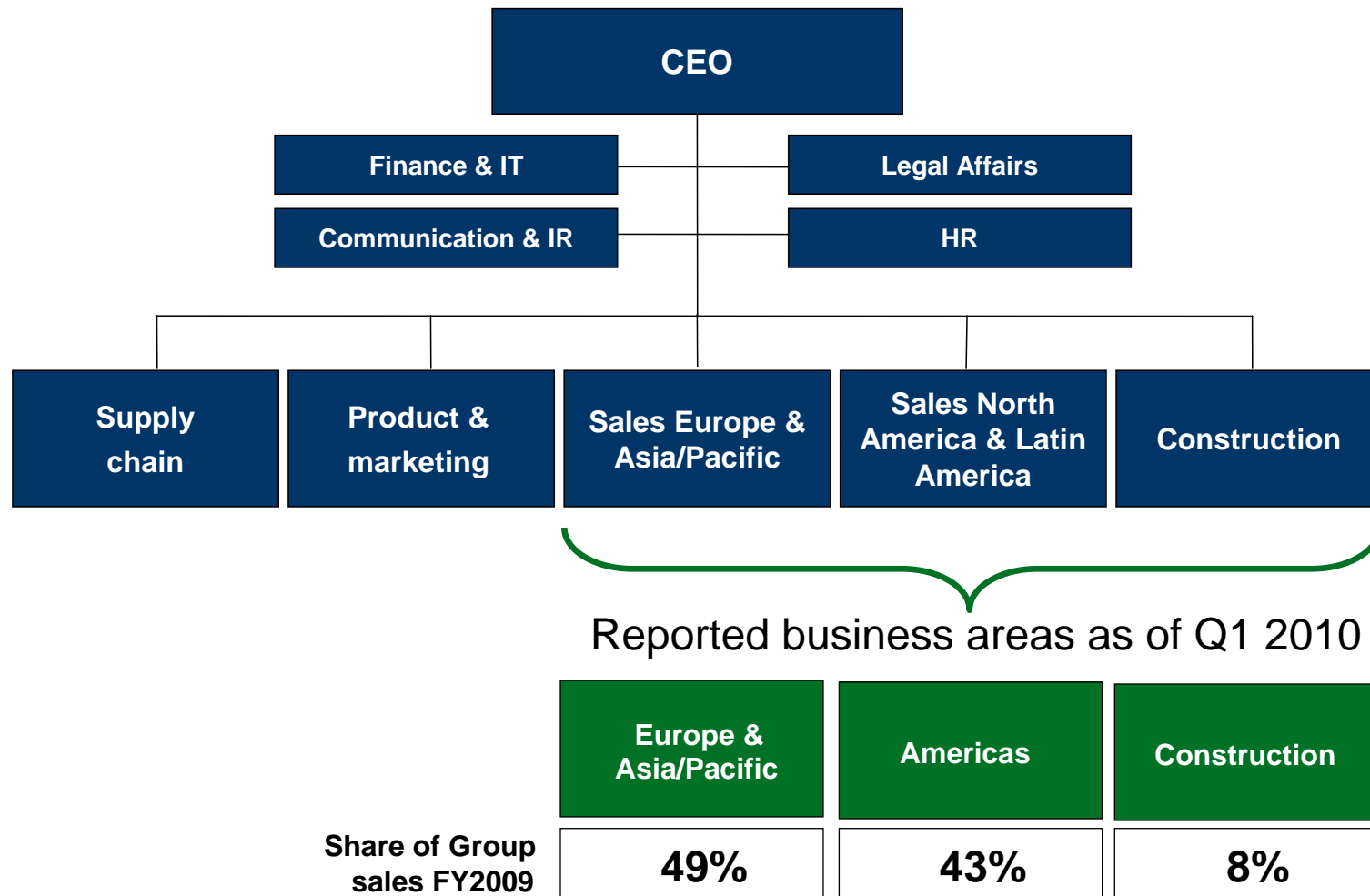
**27 April 2010**

## Highlights Q1 2010

- Long and cold winter affected start of gardening season as well as construction activities
- Slow start - sales picked up at the end of the quarter
- Cautious inventory management in the trade continues
- Improved Group operating margin
- Efficiency initiatives continue to generate savings
- Continued focus on working capital
- New organizational and reporting structure



# New organization as of 1 Jan. 2010



## Strategic initiatives

### Brands

- Further extension of product offering under the Gardena brand
- New brand strategy focusing on fewer brands

### Distribution

- Increased focus on dealer channel in North America
- Consolidation of sales organization continues

### Products

- Successful launch of new ride-on mowers
- Consolidation of R&D resources in North America initiated
- Several product launches in Construction

### Production / Supply chain

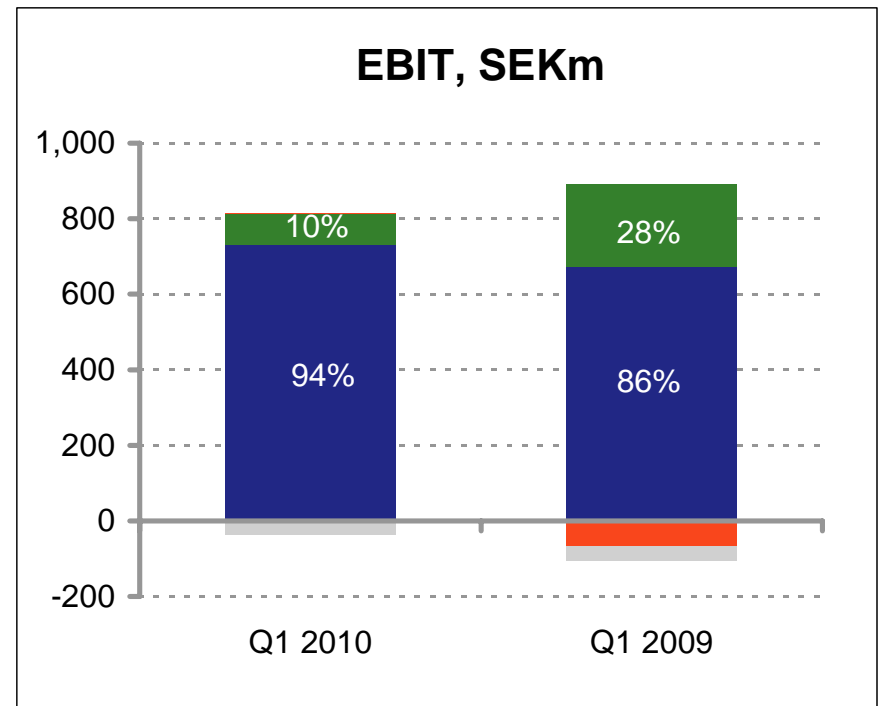
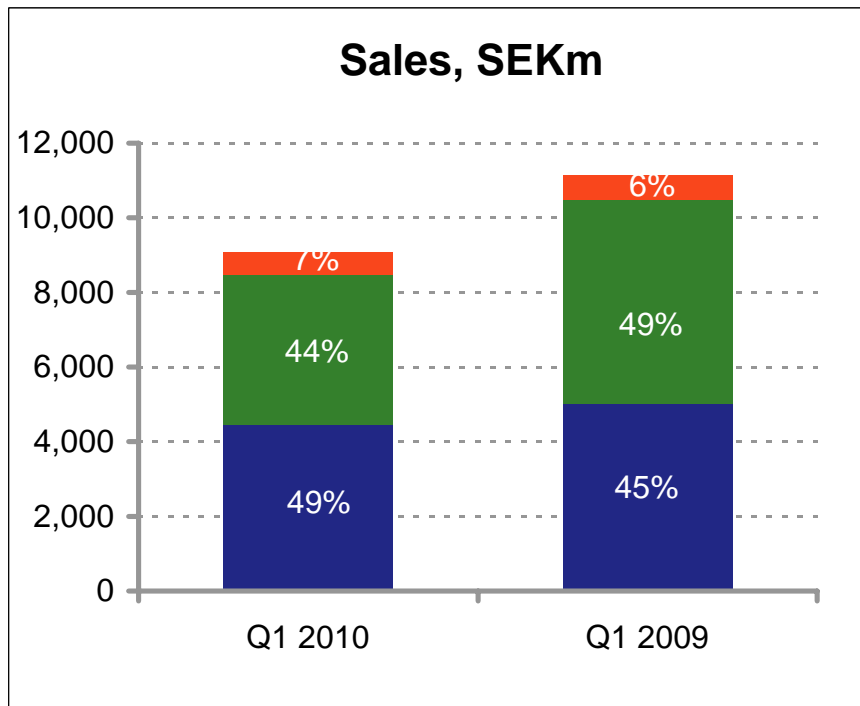
- Manufacturing footprint initiatives communicated in October 2009 are ongoing
- Construction of the new factory in Poland initiated

## Financial highlights Q1 2010

SEKm	Q1 2010	Q1 2009	% change, Q1		LTM*	Jan-Dec 2009
			As reported	Adjusted		
Net sales	9,082	11,152	-19	-9	32,004	34,074
Gross margin, %	26.3	23.9	-	-	-	25.4
EBIT	778	786	-1	-10	1,552	1,560
EBIT margin, %	8.6	7.0	-	-	4.8	4.6

- Net sales decreased
  - Reduced listings in North America
  - Long and cold winter
  - Cautious inventory management in trade
  - Stable pricing
- Higher gross margin
  - Primarily due to cost-cutting measures, currency and mix
- Stable EBIT and higher EBIT margin
  - Higher EBIT and EBIT-margin for Europe & Asia/Pacific and Construction
  - Cost-reduction measures paying off
  - SEK 50m charge for settlement of legal case

## Sales and EBIT by business area



## Europe & Asia/Pacific

SEKm	Q1 2010	Q1 2009	Change, %		LTM*	Full year 2009
			As reported	Adjusted		
Net sales	4,459	5,034	-11	-5	16,019	16,594
EBIT	732	674	9	-4	1,413	1,355
<i>EBIT margin, %</i>	16.4	13.4	-	-	8.8	8.2

- Lower sales
  - Late spring
  - Higher sales in Russia/Eastern Europe
  - Lower sales in Western Europe
  - Share of dealer sales increased
- Watering products and accessories & tools had best performance
- Extension of product offering under Gardena brand
- Implemented cost reductions delivered savings
- Higher EBIT and EBIT margin



## Extension of Gardena branded product offering

- Several new Li-Ion battery powered products such as lawn mowers, hedge trimmers and chain saw.





## Americas

SEKm	Q1 2010	Q1 2009	Change, %		LTM*	Full year 2009
			As reported	Adjusted		
Net sales	4,028	5,470	-26	-14	13,403	14,845
EBIT	81	218	-63	-45	355	492
<i>EBIT margin, %</i>	2.0	4.0	-	-	2.6	3.3

- Lower sales
  - Late spring
  - Reduced listings at major retailer
  - Dealer sales increased
- Stable pricing
- Lower EBIT and EBIT margin
  - Increased marketing costs in order to grow dealer channel sales
  - SEK 50m charge for settlement of legal case

## Launch of LRV in North America

- Sell-in exceeding expectations
- Lawn Riding Vehicle - a riding lawn mower
- A new market segment priced between mowers and tractors
- Smaller platform and mowing deck
- Design and feature set drawn from Consumer Research, not prior product



## Construction

SEKm	Q1 2010	Q1 2009	Change, %		LTM*	Full year 2009
			As reported	Adjusted		
Net sales	595	648	-8	0	2,582	2,635
EBIT	1	-67	n.a.	n.a.	-55	-123
EBIT margin, %	0.1	-10.3	-	-	-2.1	-4.7

- Unchanged sales on an adjusted basis
- Long and cold winter negative for construction activities
- Sales in Europe increased
- Demand from rental companies returned
- Higher EBIT and EBIT margin
  - Lower costs due to implemented cost reduction measures
  - Favorable product mix
- Several new products introduced
- *SEK 50m in restructuring charges to be taken in Q2 2010*
  - *SEK 20m annual savings with full effect as of 2012*

## Strong portfolio of new Construction products

- New range of power cutters
- Expanded range of demolition robots
- New range of premium diamond tools



## Outlook for second quarter

- Inventories in the trade of the Group's products at the end of the first quarter were estimated to be slightly lower than a year ago, as result of continued uncertain market conditions as well as a later start to the season due to the late spring.
- The sell out in the trade is expected to improve slightly compared to the preceding season, both in Europe and in North America. Despite this, retailers are expected to remain cautious about re-stocking inventories due to the remaining economic uncertainty.
- In light of the late start to the season and the expectation of a better sell-out, it is estimated that Husqvarna's sales in the second quarter will be in line with the second quarter of 2009 despite reduced listings in North America.





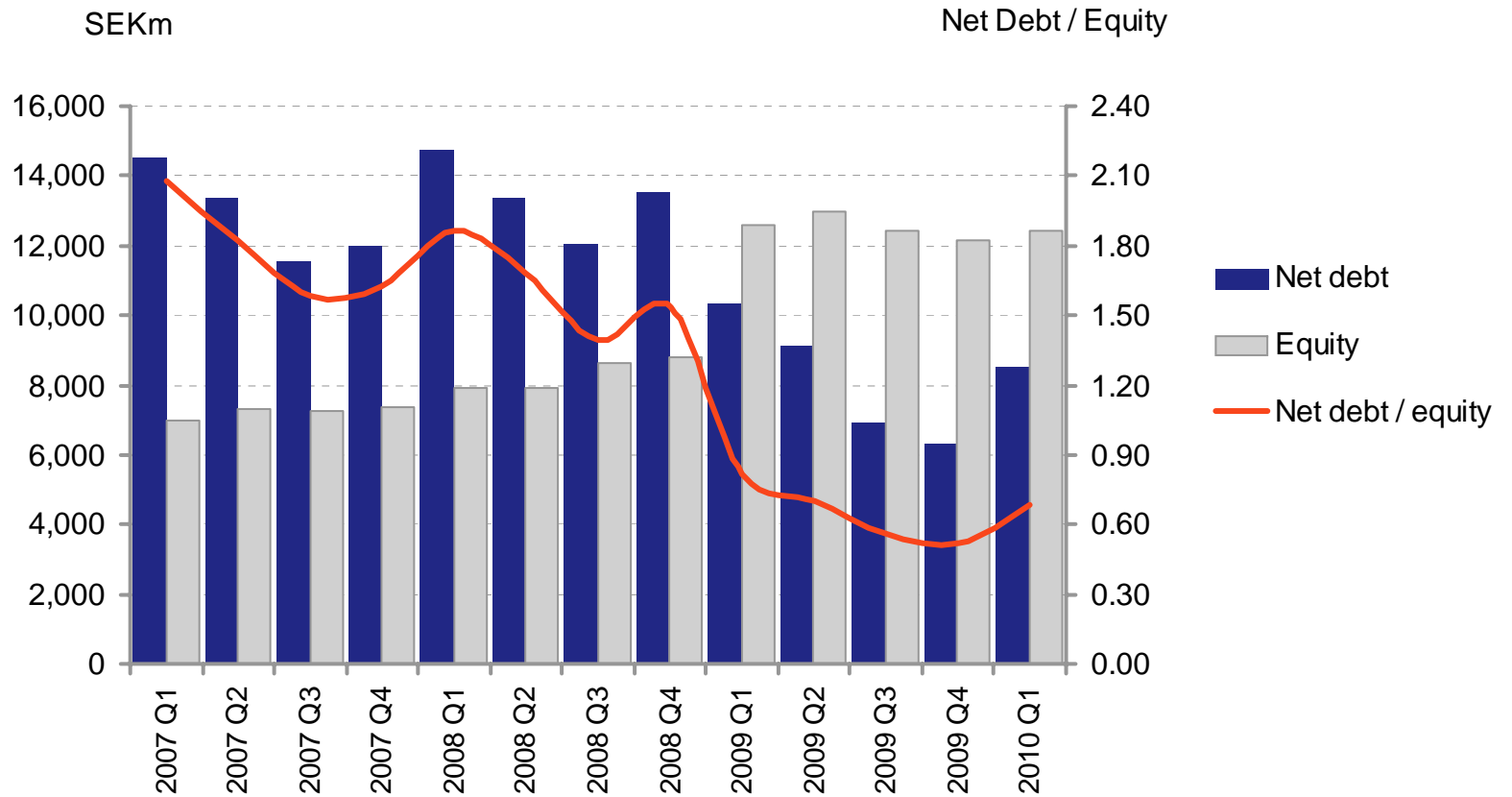
## Income statement

SEKm	Q1 2010	Q1 2009	Jan-Dec 2009
Net sales	9,082	11,152	34,074
Cost of goods sold	-6,697	-8,485	-25,423
<b>Gross operating income</b>	<b>2,385</b>	<b>2,667</b>	<b>8,651</b>
<i>Margin, %</i>	26.3	23.9	25.4
Selling expense	-1,277	-1,509	-5,547
Administrative expense	-329	-374	-1,541
Other operating income/expense	-1	2	-3
<b>Operating income<sup>1</sup></b>	<b>778</b>	<b>786</b>	<b>1,560</b>
<i>Margin, %</i>	8.6	7.0	4.6
Financial items, net	-88	-196	-466
<b>Income after financial items</b>	<b>690</b>	<b>590</b>	<b>1,094</b>
<i>Margin, %</i>	7.6	5.3	3.2
Taxes	-155	-126	-191
<b>Income for the period</b>	<b>535</b>	<b>464</b>	<b>903</b>
Basic earnings per share, SEK	0.92	0.98	1.64
Diluted earnings per share, SEK	0.92	0.98	1.64
<sup>1</sup> Of which depreciation, amortization and impairment	-295	-352	-1,500

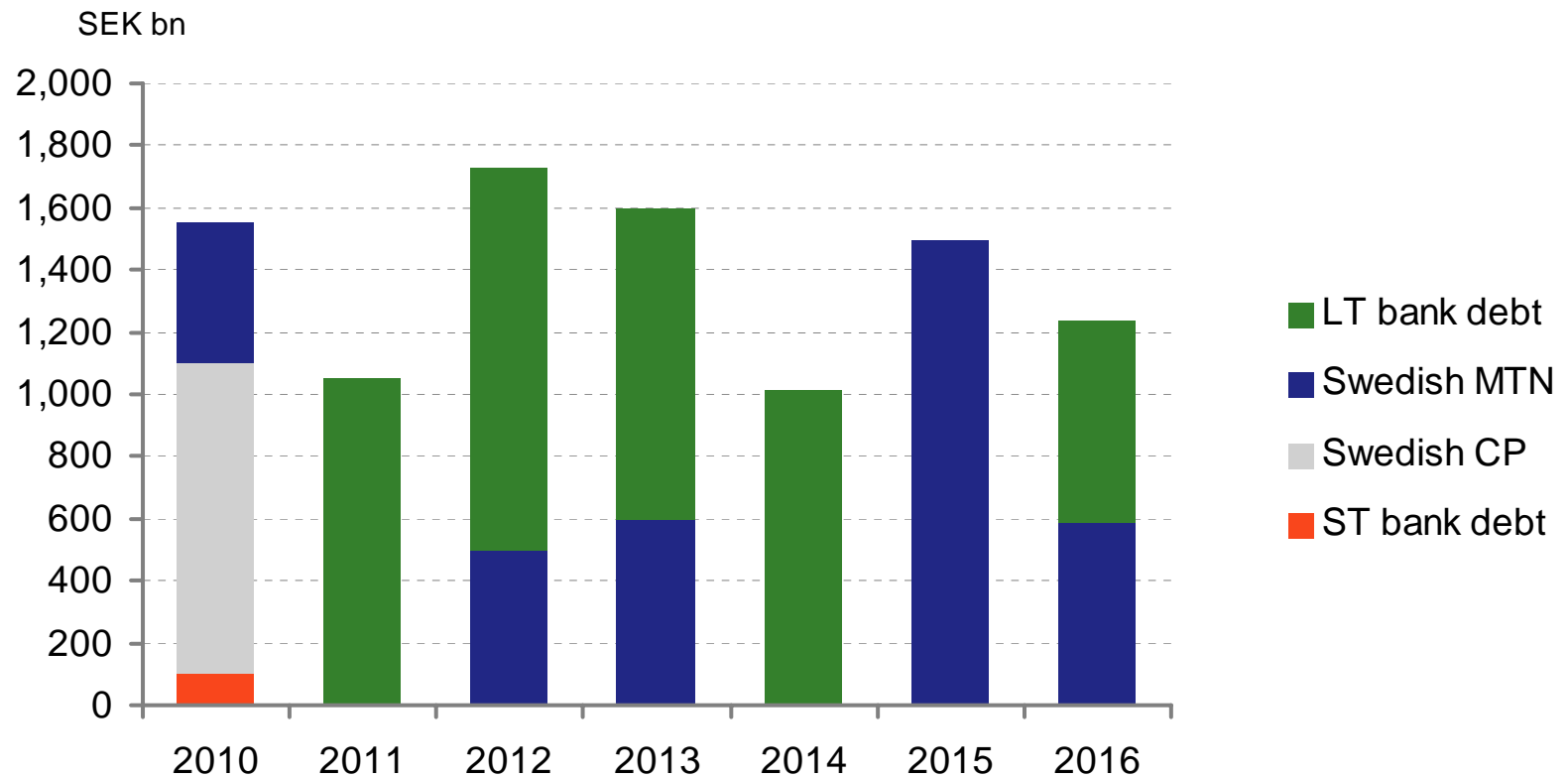
## Balance sheet

SEKm	31 Mar 2010	31 Mar 2009	31 Dec 2009
Non-current assets	15,642	18,065	16,182
Inventories	7,326	8,975	6,706
Trade receivables	7,614	6,825	3,385
Other current assets	991	1,144	1,211
Liquid funds	1,907	2,583	2,745
<b>Total assets</b>	<b>33,480</b>	<b>37,592</b>	<b>30,229</b>
Total equity	12,458	12,579	12,126
Interest-bearing liabilities	10,418	12,895	9,094
Provisions	3,945	4,157	4,067
Trade payables	4,243	5,303	2,854
Other current liabilities	2,416	2,658	2,088
<b>Total equity and liabilities</b>	<b>33,480</b>	<b>37,592</b>	<b>30,229</b>

# Net debt and equity

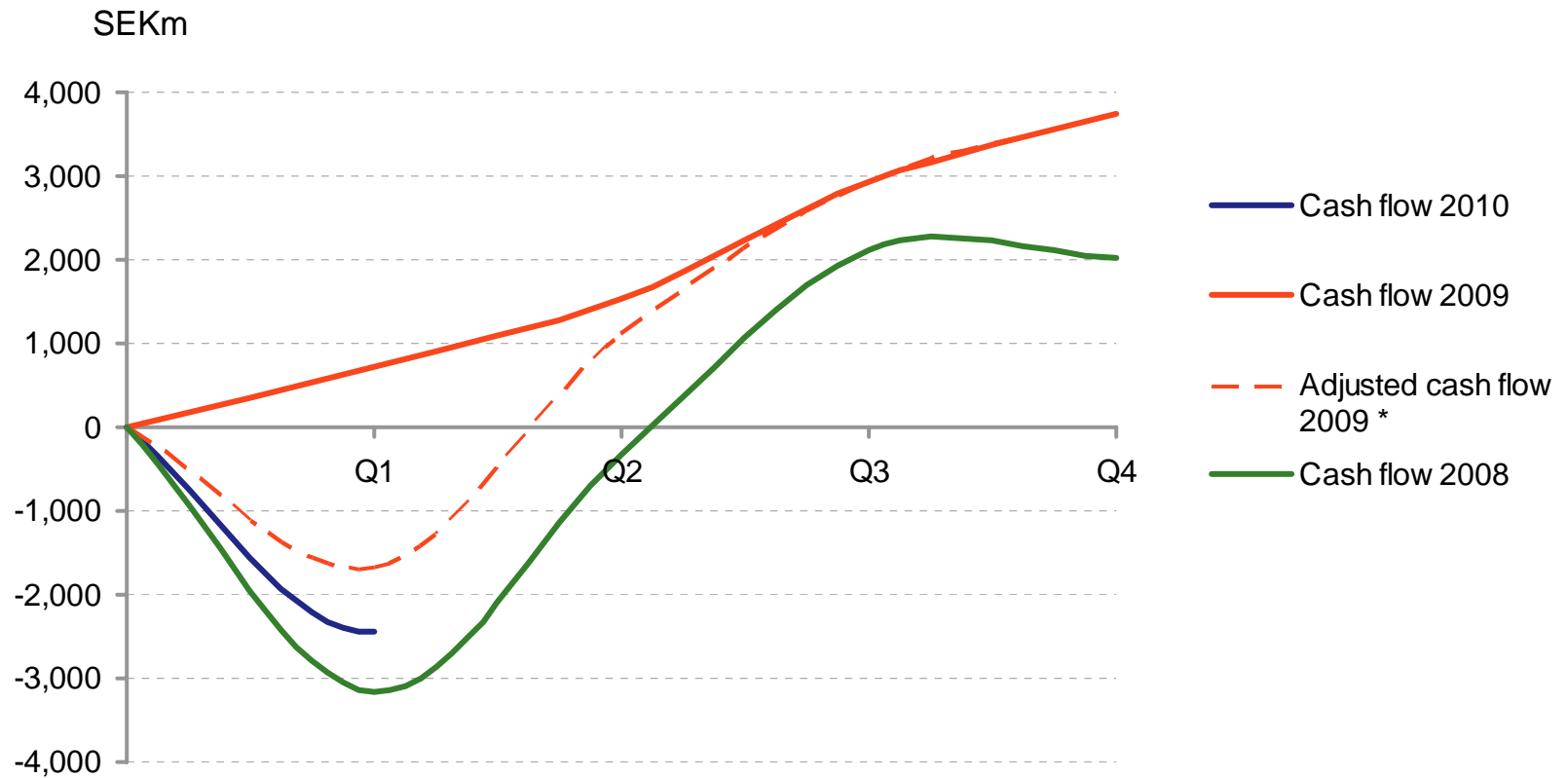


## Funding maturity structure, March 2010



*Husqvarna also has un-utilized revolving credit facilities totaling SEK 10,000m*

# Operating cash flow



\* Excluding sale of trade receivables in 2009



## Key figures

	Q1 2010	Q1 2009	Jan-Dec 2009
Net sales, SEKm	9,082	11,152	34,074
Operating income, SEKm	778	786	1,560
Gross margin, %	26.3	23.9	25.4
Operating margin, %	8.6	7.0	4.6
Working capital, SEKm	7,167	6,700	4,163
Return on capital employed, %	6.9	8.4	6.6
Return on equity, %	7.7	11.2	7.5
Earnings per share, SEK	0.92	0.98	1.64
Capital-turnover rate, times	1.6	1.5	1.6
Operating cash flow, SEKm	-2,433	714	3,737
Net debt/equity ratio	0.69	0.82	0.52
Capital expenditure, SEKm	207	224	914
Average number of employees	15,484	17,000	15,030

## Summary Q1 2010

- Long and cold winter affected start of gardening season as well as construction activities
- Sales picked up at the end of Q1
- Stable result and higher margin, despite lower sales
- Cost-reduction measures paying off
- Sales in Q2 2010 are expected to be in-line with sales Q2 2009



# Capital Markets Day 18-19 May

Huskvarna/Jönköping, Sweden

## 18 May

- Dinner with Group management

## 19 May ~ 08:00 – 17:30

- Chain saw factory visit
- Product events; chain saws, riders and demolition robots
- Management presentations

### For more info:

[corporate.husqvarna.com/cmd](http://corporate.husqvarna.com/cmd)



# Husqvarna



**Q & A**